


AGENDA ITEM #3(C)  
May 17, 2007

**ACTION**

**MEMORANDUM**

May 15, 2007

TO: County Council

FROM: Linda McMillan, Senior Legislative Analyst 

SUBJECT: **Action:** Resolution to designate sources of funding for annual appropriation to the Montgomery County Housing Initiative Fund (HIF), sponsored by Planning, Housing, and Economic Development Committee

The Council introduced this resolution on February 27, 2007. If enacted, the resolution would state that it is the Council's policy that the \$16.1 million or 2.5% of the actual General Fund property tax from two years prior, whichever is greater, that must be made available to the Housing Initiative Fund must be a transfer from the General Fund. Other resources such as the condominium transfer tax, Moderately Priced Dwelling Unit (MPDU) resale recapture revenues, or carry-over of the end-of-year balance from the prior fiscal year, would be available to the HIF in addition to the transfer from the General Fund.

For FY 2008, the required amount of General Funds needed to meet the 2.5% requirement is \$19,553,300.

Resolution No: \_\_\_\_\_  
Introduced: February 27, 2007  
Adopted: \_\_\_\_\_

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

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By: Planning, Housing, and Economic Development Committee

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SUBJECT: Sources of Funding for Annual Appropriation to the Montgomery Housing Initiative Fund (HIF)

Background

1. In Montgomery County, increasing demands for housing, diminishing land supply, and increasing construction costs are causing an acute shortage of housing for low and moderate income families who live or work in the County and for those with special needs. The maintenance of a housing stock that is affordable to all income levels is critical to the health of Montgomery County's economy. Helping families live near their work can help reduce traffic congestion and its environmental impacts.
2. The Montgomery County Housing Initiative Fund (HIF) is the foremost funding mechanism for County participation in the financing of affordable housing and has leveraged significant other public and private funds. Between Fiscal Year 2003 and Fiscal Year 2006, the HIF financed 63 projects containing over 4,500 units affordable to lower income families.
3. On March 25, 2003, the County Council adopted and the County Executive signed Resolution 15-110, *Dedicated Funding for Affordable Housing*. The action clause stated: "The County Executive will recommend and the Council will approve, in future fiscal years beginning with FY04, an allocation from the General Fund to the Montgomery Housing Initiative Fund (MHI) of an amount sufficient to ensure the availability in the MHI Fund of \$16.1 million or the equivalent of 2.5 percent of actual General Fund property taxes from two years prior to the upcoming fiscal year, whichever is greater, for the purpose of maintaining and expanding the supply of affordable housing in Montgomery County."
4. On March 8, 2005, the Council adopted Resolution 15-919, *Condominium Transfer Tax Funds Must Not Supplant the General Fund Appropriation to the Montgomery Housing Initiative Fund*. The action clause stated: "The condominium transfer tax revenues received in Fiscal Year 06 transferred into the Montgomery County Housing Initiative Fund must not supplant the appropriation of \$16.1 million or the equivalent of 2.5% of property taxes, as approved in Council Resolution 15-110 – Dedicated Funding for Affordable Housing. The Council will review this policy for the transfer tax revenues that will be received in Fiscal year 2007 and beyond."

5. For Fiscal Year 2007, the amount equivalent to 2.5 percent of the actual General Fund property taxes from Fiscal Year 2005 was \$19,803,740. The funding sources recommended by the County Executive and approved by the County to reach this level of funding were: Use of Beginning Balance (\$4.8 million), Moderately Priced Dwelling Unit (MPDU) Resale Recapture (\$2 million), Mortgage Repayments (\$800,000), Other Interest Income (\$140,000), Housing Opportunities Commission Loan Replacement (\$79,420), Pooled Investment Income (\$240,000), Condominium Transfer Tax (\$4 million) and Net Transfer from General Fund (\$7.7 million). The Council specified that any revenues received from the Condominium Transfer Tax in excess of the \$4 million assumed in the budget must not supplant any of the other identified sources of funding and must be appropriated as an addition to the HIF. MPDU Alternative Agreement Payments of \$143,900 must also be an addition to the \$19.8 million requirement.
6. The Planning, Housing, and Economic Development Committee held a worksession on the HIF on February 15, 2007. The Committee agreed that, beginning in Fiscal Year 2008, the requirement for an amount equivalent to 2.5 percent of the actual General Fund property taxes should be funded through the net transfer from the General Fund and that all the other sources identified as a part of the FY 2007 appropriation to the HIF should be additions to this amount and not supplant the net transfer from the General Fund. The ending balance in the HIF should be re-appropriated in the next fiscal year rather than used as a source of funds to meet the 2.5 percent requirement. The Committee noted that this would have resulted in an additional \$12 million being allocated to the HIF in Fiscal Year 2007.

Action

The County Council for Montgomery County, Maryland, approves the following action:

Beginning in Fiscal Year 2008, the source of funding for the amount equivalent to \$16.1 million or 2.5 percent of the actual General Fund property taxes from two years prior, whichever is greater, that must be appropriated to the Montgomery Housing Initiative Fund must be the General Fund. All other sources, such as proceeds from MPDU resale recaptures, condominium transfer tax revenues, and mortgage repayments, must be appropriated in addition to this amount. The Fiscal Year 2007 end of year balance must be re-appropriated on July 1 and must not be considered part of the amount appropriated from the General Fund.

This is a correct copy of Council action.

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Linda M. Lauer, Clerk of the Council